CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

November 5, 1999

H.R. 3172
Welfare-to-Work Amendments of 1999

As ordered reported by the House Committee on Education and the Workforce on November 3, 1999

SUMMARY

H.R. 3172 would change eligibility rules and expand allowed activities in the Welfare-to-Work grant program, and reduce the Welfare-to-Work performance bonus. Enacting this bill would result in reduced direct spending in some years and increased spending in others, for an estimated net savings of $10 million over the 2000-2002 period. Because the bill would affect direct spending, pay-as-you-go procedures would apply.

H.R. 3172 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Greater flexibility in the Welfare-to-Work program would benefit states, and in some cases, local and tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of this bill is shown in the following table. The costs of this legislation fall within budget function 500 (education, training, employment, and social services).

	By Fiscal Year, in Millions of Dollars				
	2000	2001	2002	2003	2004
DIRECT SPENDING					
Spending Under Current Law					
Budget Authority	100	0	0	0	0
Estimated Outlays	760	835	535	0	0
Proposed Changes					
Welfare-to-Work Grants					
Budget Authority	0	0	0	0	0
Estimated Outlays	70	5	-20	0	0
Performance Bonus					
Budget Authority	-65	0	0	0	0
Estimated Outlays	-15	-25	-25	0	0
Subtotal					
Budget Authority	-65	0	0	0	0
Estimated Outlays	55	-20	-45	0	0
Spending Under H.R. 3172					
Budget Authority	35	0	0	0	0
Estimated Outlays	815	815	490	0	0

BASIS OF ESTIMATE

This bill would broaden the eligibility criteria for the Welfare-to-Work block grants, and would also allow funds to be spent on stand-alone vocational training. A survey of states indicated that these changes would make it easier for them to serve clients under the Welfare-to-Work program. CBO estimates that state grants, which have already been awarded, would spend more quickly than under current law. In addition, CBO estimates that overall spending would increase. States have four years to spend the grant money, the last of which was provided at the end of fiscal year 1999. Under current law, CBO assumes that about $300 million would go unspent, in part because of the difficulty states are having in enrolling eligible participants. CBO estimates that the expansion would increase overall spending by about $55 million over the 2000-2002 period.

The bill also would reduce the $100 million set-aside for Welfare-to-Work performance bonuses to $35 million. These bonuses are to be paid over the fiscal years 2000 through 2002. Therefore, reducing the bonuses would save $65 million over that period.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the budget year and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in outlays	55	-20	-45	0	0	0	0	0	0	0
Changes in receipts	Not applicable									

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

The bill contains no intergovernmental mandates as defined in UMRA. Greater flexibility in the Welfare-to-Work program would benefit states, and in some cases, local and tribal governments.

The bill would make a number of changes in the Welfare-to-Work program, broadening eligibility requirements, and expanding the ability of states to use grant funds for vocational training. By making it easier for states to serve clients, the proposed changes would increase state spending in the Welfare-to-Work program by about $27 million over the 2000-2004 period. This state spending would be matched by $55 million in federal assistance, as noted above. The reduction Welfare-to-Work performance bonuses would decrease assistance to states by $65 million over the 2000-2004 period. However, given the flexibility that states have to operate the program, this reduction would not be a mandate as defined in UMRA.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

This bill contains no private-sector mandates as defined in the UMRA.

PREVIOUS ESTIMATE

On October 27, 1999, CBO provided a cost estimate for H.R. 3073, the Fathers Count Act of 1999, as ordered reported by the House Committee on Ways and Means on October 21, 1999. Provisions in H.R. 3073 are similar to the Welfare-to-Work provisions in this proposed legislation. However, there are two notable differences. First, the eligibility expansions contained in H.R. 3073 are somewhat broader than those contained in H.R. 3172. Second, H.R. 3073 would eliminate the performance bonus, whereas H.R. 3172 would merely reduce it. Taken together, the Welfare-to-Work changes contained in H.R. 3073 would reduce spending by $40 million over the 2000-2002 period. Total savings from the provisions in this bill net to $10 million over the same period.

ESTIMATE PREPARED BY:

Federal Costs: Christina Hawley Sadoti
Impact on State, Local, and Tribal Governments: Leo Lex

ESTIMATE APPROVED BY:

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis